

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

October 2004 Grand Jury

SA CR 05-**SA 05-0036**
UNITED STATES OF AMERICA,) I N D I C T M E N T
Plaintiff,) [18 U.S.C. § 1344: Bank Fraud;
v.) 18 U.S.C. §§ 1343 and 1346: Honest
KENNETH KETNER, and) Services Wire Fraud;
ALLEN JOHNSON,) 18 U.S.C. § 1343: Wire Fraud;
) 18 U.S.C. § 1956(h): Money
) Laundering Conspiracy;
Defendants.) 18 U.S.C. § 1957: Engaging in
) Monetary Transactions in Property
) Derived from Specified Unlawful
) Activities; and
) 18 U.S.C. § 2: Aiding and
) Abetting]

The Grand Jury charges:

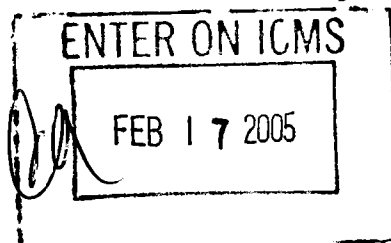
INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

A. Defendants

1. Defendant KENNETH KETNER, through various titles, controlled Mortgage Capital Resource Corporation, a California Corporation ("MCR").

2. Defendant ALLEN JOHNSON, a recent law school graduate,
ADS:ads



1 was an attorney duly licensed to practice law in the State of
2 California. Defendant JOHNSON was a longtime friend of defendant
3 KETNER. Defendant JOHNSON also was a partner in law firms which
4 had offices in Atlanta, Georgia and in MCR's offices in Orange
5 County, California. JOHNSON, through his law firms, acted as the
6 closing agent for loans originated by MCR's Atlanta, Georgia
7 office.

8 B. MCR's Creditors

9 3. Household Commercial Financial Services ("Household")
10 was a warehouse lender based in the State of Illinois.

11 4. Republic Bank was a bank the deposits of which were
12 insured by the Federal Deposit Insurance Corporation ("FDIC").

13 C. MCR and the Warehouse Lines of Credit

14 5. MCR was in the business of originating and funding home
15 loans. MCR originated two types of loans: (1) first mortgages
16 the proceeds of which were to be used by borrowers to purchase a
17 home; and (2) home equity loans, the proceeds of which were to be
18 used by borrowers for a variety of reasons, including debt
19 consolidation.

20 6. The loans MCR originated were funded by warehouse
21 lenders who provided lines of revolving credit ("warehouse
22 lines") arranged by defendant KETNER. The warehouse lenders
23 permitted MCR to make loans to borrowers on their behalf so long
24 as the loans met certain requirements. Among those requirements
25 was that the loans drawn on the warehouse line could only remain
26 on a warehouse line for a set period of time and then needed to
27 be repaid. Typically, a loan would be repaid by selling the loan
28 to a lender who would service it on a long-term basis.

COUNT ONE

[18 U.S.C. §§ 1344 and 2]

A. THE SCHEME TO DEFRAUD

7. The Grand Jury hereby incorporates and re-alleges by reference Paragraphs 1 through 6.

8. Beginning in or about 1996 and continuing until at least in or about 2001, in Orange County, within the Central District of California and elsewhere, defendant KENNETH KETNER knowingly and with intent to defraud devised, executed, and participated in a scheme to defraud Republic Bank and other FDIC insured warehouse lenders, and a scheme to obtain moneys or other property owned by and in the custody and control of Republic Bank and other FDIC warehouse lenders, by means of material false and fraudulent pretenses, representations, and promises, and the concealment of material facts.

9. Defendant KETNER committed, caused the commission of, and aided, counseled, commanded, induced, and procured others to commit fraud against Republic Bank and other FDIC insured warehouse lenders by the following means and methods, among others:

a. Defendant KETNER would arrange for loans on properties funded by MCR's warehouse lines of credit;

b. The money owed to warehouse lenders would come due;

c. Rather than sell off the loan or take a loss on the loan, defendant KETNER would ask, or cause others to ask, a

1 friend or employee to be a straw buyer of the property.

2 Defendant KETNER would then assure the straw buyer/borrower that
3 MCR, and not the straw, was the party truly liable for the loan;

4 d. Defendant KETNER would then cause a warehouse
5 lender to fund the loan under the false pretense that the loan
6 was being made to the straw buyer/borrower, when, in fact, it was
7 not.
8

9 e. Defendant KETNER would cause the loan files
10 relating to straw buyers/borrowers to be segregated at MCR to
11 assure that they were not sold to a lender. Specifically,
12 defendant KETNER would cause these loans to be put into purple
13 files, and these straw loans became known in the company as the
14 "purple file properties."
15

16 B. EXECUTION OF THE SCHEME TO DEFRAUD

17 10. On or about the following dates, in Orange County,
18 within the Central District of California and elsewhere, defendant
19 KETNER committed and knowingly caused others commit the following
20 acts, each of which constituted an execution of the fraudulent
21 scheme:
22

23 a. Defendant KETNER caused 1916 South Date Avenue,
24 Alhambra, California, to be bought and sold by straw
25 buyers/borrowers at least 10 times. The straw buyers/borrowers
26 for this property included defendant JOHNSON and other associates
27 of defendant KETNER. On August 23, 1999, Household funded
28 \$155,749.39 toward the purchase of this property under the false

1 pretense that defendant KETNER's property manager was purchasing
2 the property when, in fact, defendant KETNER had assured the
3 property manager that MCR would be liable for the loan;

4 b. Defendant KETNER caused 36662 Rose Street,
5 Palmdale, California, to be bought and sold by straw
6 buyers/borrowers at least 10 times. The straw buyers/borrowers
7 for this property included defendant JOHNSON and other associates
8 of defendant KETNER. On November 24, 1999, Household funded
9 \$86,458.03 toward the purchase of this property under the false
10 pretense that one of defendant KETNER's straw buyer/borrowers
11 was, in fact, purchasing the property;
12

13 c. Defendant KETNER caused 16416 Kittridge Street, Van
14 Nuys, California, to be bought and sold by straw buyers/borrowers
15 at least 8 times. The straw buyers/borrowers for this property
16 included defendant JOHNSON and other associates of defendant
17 KETNER. On December 17, 1999, Republic Bank funded \$127,559.45
18 toward the purchase of this property under the false pretense
19 that one of defendant KETNER's straw buyer/borrowers was, in
20 fact, purchasing the property;
21

22 d. Defendant KETNER caused 5859 Madrid Court,
23 Palmdale, California, to be bought and sold by straw buyers at
24 least 10 times. The straw buyers/borrowers for this property
25 included Defendant JOHNSON and other associates of defendant
26 KETNER. On December 29, 1999, Household funded \$95,267.91 toward
27 the purchase of this property under the false pretense that one
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1 of defendant KETNER's straw buyer/borrowers was, in fact,
2 purchasing the property;

3 e. Defendant KETNER caused 2809 Tracy Street, San
4 Bernardino, California, to be bought and sold by straw buyers at
5 least 8 times. The straw buyers/borrowers for this property
6 included associates of defendant KETNER, including his property
7 manager. On January 12, 2000, Household funded \$65,226.80 toward
8 the purchase of this property under the false pretense that one
9 of defendant KETNER's straw buyer/borrowers was, in fact,
10 purchasing the property;

12 f. Defendant KETNER caused 2856 Sepulveda Avenue, San
13 Bernardino, California, to be bought and sold by straw buyers at
14 least 9 times. The straw buyers for this property included
15 defendant JOHNSON, defendant KETNER's property manager, and other
16 associates of defendant KETNER. On January 19, 2000, Household
17 funded \$59,187.72 toward the purchase of this property under the
18 false pretense that one of defendant KETNER's straw
19 buyer/borrowers was, in fact, purchasing the property;

21 g. Defendant KETNER caused 42957 Willow West Court,
22 Lancaster, California, to be bought and sold by straw buyers at
23 least 10 times. The straw buyers for this property included
24 defendant JOHNSON, defendant KETNER's property manager and other
25 associates of defendant KETNER. On October 22, 1999, Republic
26 Bank funded \$57,868.90 toward the purchase of this property under
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1 the false pretense that one of defendant KETNER's straw
2 buyer/borrowers was, in fact, purchasing the property;

3 h. Defendant KETNER caused 31206 Delwood Street,
4 Castaic, California, to be bought and sold by straw buyers at
5 least 10 times. The straw buyers for this property included
6 defendant JOHNSON, defendant KETNER's property manager, defendant
7 KETNER's assistant, and other associates of defendant KETNER. On
8 October 29, 1999, Republic Bank funded \$99,939.52 toward the
9 purchase of this property under the false pretense that one of
10 defendant KETNER's straw buyer/borrowers was, in fact, purchasing
11 the property;
12

13 i. Defendant KETNER caused 29810 Via Viento, Menifee,
14 California, to be bought and sold by straw buyers at least 10
15 times. The straw buyers for this property included defendant
16 JOHNSON, defendant KETNER's assistant, and other associates of
17 defendant KETNER. On January 9, 1999, Republic Bank funded
18 \$98,982.73 toward the purchase of this property under the false
19 pretense that one of defendant KETNER's straw buyer/borrowers
20 was, in fact, purchasing the property;
21

22 j. Beginning in or about 1996 and continuing until at
23 least in or about 2001, in furtherance of the fraudulent scheme,
24 defendant KETNER fraudulently obtained home loans on no less than
25 twenty properties using 14 straw buyers and sellers in hundreds
26 of transactions; and
27
28

1 k. Beginning in or about 1996 and continuing until at
2 least in or about 2001 defendant KETNER directed his employees to
3 keep the files associated with the properties he was buying and
4 selling through straws separate from the other warehouse files to
5 make certain they were not inadvertently sold off. These
6 properties were put into special purple file folders and were
7 known at MCR as the "purple file properties."
8

COUNTS TWO THROUGH SEVEN

[18 U.S.C. §§ 1343, 1346 and 2]

A. DUTY OF THE CLOSING AGENT TO PROVIDE HONEST SERVICES

11. Paragraphs 1 through 6 are incorporated herein by reference.

12. At all times relevant to this Indictment, the warehouse lenders required that home loans be funded through a closing agent. In some jurisdictions, an escrow or title company served as the closing agent; in others, including Georgia, an attorney was used as a closing agent.

13. At all times relevant to this Indictment, the closing agent's responsibility was to receive money from warehouse lenders and then fund loans by distributing the money to the borrower or the borrower's designee. The closing agent was required to assure that money received from the warehouse lenders would be transferred directly to the borrower and that the warehouse lender was receive a secured interest in the borrower's home as collateral. In exchange for fulfilling these obligations, the closing agent received a fee for each transaction completed.

14. At all times relevant to this Indictment, closing agents placed themselves in a position of trust with respect to both the warehouse lender and the borrower. They possessed a fiduciary obligation to the lenders and borrowers to make funding decisions based on whether a transaction conformed with the

1 requirements established by the borrower and the lender. This
2 duty included an obligation on the part of the closing agent
3 to conduct his duties in an honest, faithful and disinterested
4 manner, free from self-dealing.

5 B. THE SCHEME TO DEFRAUD

6
7 15. Beginning in or about at least February 2000, and
8 continuing until at least in or about August 2000, in Orange
9 County, in the Central District of California and elsewhere,
10 defendants KETNER and JOHNSON, knowingly and with intent to
11 defraud, devised, participated in, and executed a scheme to
12 defraud warehouse lenders, including Household, of their right to
13 the honest services of defendant JOHNSON.

14
15 16. Defendants KETNER and JOHNSON committed, caused the
16 commission of, and aided, counseled, commanded, induced, and
17 procured others to commit fraud against warehouse lenders by the
18 following means and methods, among others:

19 a. Defendant KETNER, through MCR, would enter into
20 warehouse lending agreements. These lending agreements would
21 permit KETNER to borrow money to fund mortgages MCR originated;
22

23 b. At defendant KETNER's direction, defendant JOHNSON
24 would act as the closing agent for MCR in connection with the
25 home loans;

26 c. Defendant KETNER would then request, or cause
27 others to request, funds from the warehouse lines of credit for
28

1 home equity loans. Each request from a warehouse lender was for
2 a loan collateralized by a specific property;

3 d. These funds would be wired to a bank account
4 belonging to defendant JOHNSON;

5 e. As part of his duties as closing agent, defendant
6 JOHNSON was required to confirm that the lender's money was going
7 to the borrower in exchange for the lender receiving, among other
8 things, a security interest in the borrower's home. In exchange
9 for completing this service, defendant JOHNSON was to receive a
10 fee of \$450 for each loan closed;

11 f. Instead of defendant JOHNSON honestly fulfilling
12 his duty as closing agent to disburse home loan proceeds directly
13 to the borrowers, defendants JOHNSON and KETNER would divert the
14 warehouse lenders' money into MCR's bank accounts;

15 g. Once MCR received these loan proceeds, defendant
16 KETNER would not use the money to fund the loans as required by
17 the warehouse lender who was furnishing the money;

18 h. In exchange for defendant KETNER using defendant
19 JOHNSON's law firm as the closing agent, defendant JOHNSON would
20 provide a portion of the closing fee to defendant KETNER as a
21 kickback; and

22 i. Defendants KETNER and JOHNSON would set up a series
23 of bank transactions to conceal the fact that defendant JOHNSON
24 was the source of the kickbacks.
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1 B. EXECUTION OF THE SCHEME TO DEFRAUD

2 17. In or about December 1998, defendant KETNER, through
3 MCR, entered into a warehouse lending agreement with Household.

4 18. In or about late 1998, defendant KETNER offered
5 defendant JOHNSON the position of MCR's closing agent for loans
6 originated by MCR's Atlanta office.
7

8 19. In or about 1999, when defendant JOHNSON first became
9 the closing agent for MCR, the closing procedures MCR used were
10 as follows:

11 a. Borrowers would apply for a loan from MCR;

12 b. MCR would request loan funds from one of its
13 warehouse lenders;
14

15 c. A warehouse lender would transfer the requested
16 funds to defendant's JOHNSON's client trust account; and

17 d. Defendant JOHNSON would confirm that the
18 transaction met certain requirements and disburse the funds
19 directly to the borrower or designees.

20 20. A short time after defendant JOHNSON became the closing
21 agent, he and defendant KETNER changed the closing procedure such
22 that defendant JOHNSON, upon receiving money from a warehouse
23 lender, would wire it to MCR for it to conduct the closing.
24

25 21. In exchange for defendant KETNER's selecting defendant
26 JOHNSON as the closing agent, defendant JOHNSON agreed to share
27 the \$450 per loan fee he received for each loan closing.

28 Defendant JOHNSON and defendant KETNER further agreed to conceal

1 the payments to defendant KETNER as payments for advertising. To
2 conceal such payments defendants KETNER and JOHNSON did the
3 following:

4 a. In May or June of 1999, defendants KETNER and
5 JOHNSON set up a shell company called "Ainsley Marketing
6 Associates Ltd.";

8 b. In May or June of 1999, defendants KETNER and
9 JOHNSON opened a bank account in the name of Ainsley Marketing
10 Associates Ltd. at Bank of Nevis International Ltd. Defendants
11 also opened an account at Banque Internationale A Luxembourg
12 (collectively "Offshore Accounts");

13 c. On June 15, 1999, defendants KETNER and JOHNSON
14 incorporated the "Good Corporation," a Nevada Corporation. On
15 June 28, 1999, defendants KETNER and JOHNSON incorporated "Joc
16 Monet.com", also a Nevada Corporation (collectively "Shell
17 Corporations");

19 d. In July 1999, defendants KETNER and JOHNSON opened
20 bank accounts in the names of Good Corporation and Joc Monet.com
21 at Heritage Bank of Nevada (the "Heritage Accounts");

22 e. In or about June or July of 1999, to further
23 conceal the source of such payments, defendant KETNER obtained a
24 false identification in the name of "Paul Hernandez" from one of
25 defendant KETNER's associates and used this fictitious person as
26 the signatory on the Heritage Accounts;

28 f. In June 1999, defendants JOHNSON and KETNER

1 conducted a test transaction in which they caused a \$5,000 check
2 made out to "Ainsley Marketing Associates Ltd." to be deposited
3 in Ainsley's Nevis bank account. Defendants KETNER and JOHNSON
4 then caused this money to be wired from this account to the
5 account they set up at Banque Internationale A Luxembourg. On
6 August 23, 1999, defendants KETNER and JOHNSON further caused
7 \$2,465 to be wired from Banque Internationale A Luxembourg to
8 each of the Heritage Accounts; and
9

10 g. Over the next ten months, defendants KETNER and
11 JOHNSON wrote 11 checks, totaling \$705,000, to Ainsley Marketing
12 Associates Ltd. Defendants KETNER and JOHNSON caused \$526,430 of
13 that money to be wired to the Heritage Accounts.
14

15 22. By February of 2000 the checks that defendant KETNER
16 directed MCR to write to borrowers and to defendant JOHNSON were
17 being returned for insufficient funds.

18 23. On February 18, 2000, defendant KETNER caused \$25,000
19 of fraudulently obtained loan proceeds to be wired from defendant
20 JOHNSON's attorney trust account to Ferrari of Orange County to
21 complete the down-payment for the purchase of a "corsa red" 2000
22 Ferrari 550 Maranello. The total price for this car, including
23 tax and license, was \$244,932.97.
24

25 24. Despite repeatedly bouncing checks to borrowers,
26 defendant KETNER continued to direct defendant JOHNSON to forward
27 money received from the warehouse lenders directly to MCR.
28

1 25. On May 22, 2000, Household wired \$346,500 to defendant
2 JOHNSON, in his capacity as closing agent, to fund at least 11
3 borrower's loans. That same day, defendants KETNER and JOHNSON
4 diverted \$335,000 of that money to MCR's bank account and
5 deprived the intended borrowers of their loan proceeds.
6

7 26. On May 24, 2000, Household wired \$762,807 to defendant
8 JOHNSON, in his capacity as closing agent, to fund at least 12
9 borrowers' loans. That same day, defendants KETNER and JOHNSON
10 diverted \$700,807 of that money to MCR's bank account and
11 deprived the intended borrowers of their loan proceeds.
12

13 27. On June 2, 2000, Household wired \$848,800 to defendant
14 JOHNSON, in his capacity as closing agent, to fund at least 14
15 borrowers' loans. That same day, defendants KETNER and JOHNSON
16 diverted all \$848,800 to MCR's bank account and deprived the
17 intended borrowers of their loan proceeds.
18

19 28. From at least April 2000, to at least June 2000,
20 defendants KETNER and JOHNSON misused and misappropriated and
21 caused the misuse and misappropriation of at least \$9 million in
22 loan proceeds belonging to Household.
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1 C. WIRINGS

2 29. On or about the dates set forth below, in Orange
3 County, within the Central District of California and elsewhere,
4 defendants KETNER and JOHNSON, for the purpose of executing and
5 attempting to execute the above described scheme to defraud,
6 caused and aided and abetted the transmission of, the following
7 by means of wire communication in interstate commerce:
8

9 <u>Count</u>	<u>Date</u>	<u>Contents of Wire Communication</u>
10 TWO	5/3/2000	At least \$35,000 wired from Household Bank in Illinois to Sanwa Bank in Orange County, California to fund a home equity loan for David Dubay
11		
12		
13 THREE	5/12/2000	\$368,850 wired from Household Bank in Illinois to Sanwa Bank in Orange County, California to fund various residential loans
14		
15		
16		
17 FOUR	5/17/2000	\$264,225 wired from Household Bank in Illinois to Sanwa Bank in Orange County, California to fund various residential loans
18		
19		
20 FIVE	5/24/2000	\$762,807 wired from Household Bank in Illinois to Sanwa Bank in Orange County, California to fund various residential loans
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1 SIX 6/1/2000 \$875,178 wired from Household Bank in
2 Illinois to Sanwa Bank in Orange County,
3 California to fund various residential
4 loans

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6 SEVEN 6/19/2000 \$209,500 wired from Household Bank in
7 Illinois to Sanwa Bank in Orange County,
8 California to fund various residential
9 loans

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COUNTS EIGHT THROUGH FOURTEEN

[18 U.S.C. §§ 1343 and 2]

A. THE SCHEME TO DEFRAUD

30. The Grand Jury hereby incorporates and re-alleges by reference Paragraphs 1 through 6.

31. Beginning in or about January 2000, and continuing to in or about July 2000, in Orange County, withing the Central District of California and elsewhere, defendant KETNER knowingly and with intent to defraud, devised, participated in, and executed a scheme to defraud warehouse lenders, including Household, and to obtain money or property from warehouse lenders, including Household, by means of false and fraudulent pretenses, representations, and promises, and the concealment of material facts.

32. Defendant KETNER committed, caused the commission of, and aided, counseled, commanded, induced, and procured others to commit fraud against warehouse lenders as described below by the following means and methods, among others:

a. Defendant KETNER, through MCR, would enter into warehouse lending agreements with various warehouse lenders. These agreements permitted defendant KETNER, through MCR, to borrow money to fund home loans;

b. Defendant KETNER, through MCR, would request money from warehouse lenders to fund residential loans for borrowers;

1 c. Warehouse lenders would send the loan proceeds as
2 requested; and

3 d. Defendant KETNER would fraudulently divert the loan
4 proceeds such that the intended borrowers never received their
5 money.
6

7 B. EXECUTION OF THE SCHEME TO DEFRAUD

8 33. Beginning in at least February 2000, and continuing to
9 in or about August 2000, defendant KETNER misused and
10 misappropriated loan proceeds from warehouse lenders intended to
11 fund specific loans.

12 34. The Grand Jury hereby incorporates and re-alleges by
13 reference Paragraphs 22-23 and 25-28.
14

15 C. WIRINGS

16 35. On or about the dates set forth below, in Orange
17 County, within the Central District of California and elsewhere,
18 defendants KETNER and JOHNSON, for the purpose of executing and
19 attempting to execute the above described scheme to defraud,
20 caused and aided and abetted the transmission of, the following
21 by means of wire communication in interstate commerce:
22

<u>Count</u>	<u>Date</u>	<u>Contents of Wire Communication</u>
23 EIGHT	24 4/2000	25 Telephone call between Scott Miller in 26 Washington and defendant KETNER in 27 Orange County, California regarding the 28 bouncing of checks to borrowers

1 NINE 5/22/2000 \$346,500 wired from Household Bank in
2 Illinois to Sanwa Bank in Orange County,
3 California

4 TEN 5/26/2000 \$260,250 wired from Household Bank in
5 Illinois to Sanwa Bank in Orange County,
6 California to fund loans

7 ELEVEN 6/2000 Telephone call between Scott Miller in
8 Washington and MCR in Orange County,
9 California regarding the closing of the
10 Washington office

11 TWELVE 6/2/2000 \$848,800 funds wired from Household Bank
12 in Illinois to Sanwa Bank in Orange
13 County, California to fund loans

14 THIRTEEN 6/15/2000 At least \$35,000 in funds wired from
15 Household Bank in Illinois to Sanwa Bank
16 in Orange County, California to fund a
17 home equity loan for Nancy and Allan
18 Mink

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17 FOURTEEN 6/30/2000 \$408,400 funds wired from Household Bank
18 in Illinois to Sanwa Bank in Orange
19 County, California to fund loans

COUNT FIFTEEN

[18 U.S.C. § 1956(h)]

A. OBJECTS OF THE CONSPIRACY

36. Paragraphs 1 through 6 and are paragraph 21(b)-(d) are incorporated herein by reference.

37. Beginning in or about June 1999, and continuing until in or about January 2001, in Orange County, within the Central District of California, and elsewhere, defendants KETNER and JOHNSON knowingly and willfully conspired and agreed with each other to commit offenses against the United States, namely:

a. Conducting and attempting to conduct monetary transactions in criminally derived property of a value of greater than \$10,000, which property was derived from a specified unlawful activity, namely, wire fraud, knowing said funds represented the proceeds of a some form of unlawful activity; and

b. Conducting and attempting to conduct financial transactions affecting interstate commerce involving the proceeds of a specified unlawful activity, namely, wire fraud, knowing that the transactions were designed, in whole or in part, to conceal and disguise the nature, location, source, ownership, and control of the proceeds of such specified unlawful activity.

B. MEANS BY WHICH THE OBJECT OF THE CONSPIRACY WAS TO BE ACCOMPLISHED

38. The object of the conspiracy was to be accomplished, and was accomplished as follows:

1 a. Defendants KETNER and JOHNSON would open the
2 Offshore Accounts;

3 b. Defendants KETNER and JOHNSON would then write
4 checks on defendant JOHNSON's account payable to Ainsely
5 Marketing Assocaites Ltd. and cause the checks to be deposited
6 into the Nevis bank account;
7

8 c. Defendants KETNER and JOHNSON would then cause the
9 money in the account in Nevis to be wired to a bank in
10 Luxembourg;

11 d. Defendants KETNER and JOHNSON would set up the
12 Shell Corporations;

13 e. Using a fake identification provided by a friend of
14 defendant KETNER, defendants KETNER and JOHNSON would open the
15 Heritage Accounts;
16

17 f. Defendants KETNER and JOHNSON would have the
18 proceeds of the wire fraud sent to the Offshore Accounts, and
19 then to the Heritage Accounts, from which defendants KETNER and
20 JOHNSON would withdraw the money.

21 C. OVERT ACTS

22 39. In or about May or June of 1999, defendants KETNER and
23 JOHNSON set up a shell company called "Ainsley Marketing
24 Associates Ltd."
25

26 40. In or about May or June of 1999, defendants KETNER and
27 JOHNSON opened the Offshore Accounts.

28 41. On or about June 15, 1999, defendants KETNER and

1 JOHNSON incorporated the Shell Corporations.

2 42. In or about July 1999, defendants KETNER and JOHNSON
3 opened the Heritage Accounts in the names of the Shell
4 Corporations.

5 43. In or about June or July of 1999, to further conceal
6 the source of such payments, defendant KETNER obtained a false
7 identification in the name of "Paul Hernandez" from one of
8 defendant KETNER's associates and used this fictitious person as
9 the signatory on the Heritage Accounts.
10

11 44. In or about June 1999, defendant JOHNSON and KETNER did
12 a test transaction causing a \$5,000 check made out to "Ainsley
13 Marketing Associates Ltd." to be deposited in the Nevis bank
14 account. Defendants KETNER and JOHNSON then caused this money to
15 be wired from this account to their account at Banque
16 Internationale A Luxembourg. On August 23, 1999, defendants
17 KETNER and JOHNSON further caused \$2,465 to be wired from Banque
18 Internationale A Luxembourg to each of the Heritage Accounts.
19

20 45. Over the next ten months defendants KETNER and JOHNSON
21 wrote 11 checks, totaling \$705,000, to Ainsley Marketing
22 Associates Ltd. Defendants KETNER and JOHNSON caused \$526,430 of
23 that money to be wired to the Heritage Accounts.
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COUNTS SIXTEEN THROUGH EIGHTEEN

[18 U.S.C. §§ 1957 and 2]

46. On or about the dates set forth below, in the Orange County, within the Central District of California and elsewhere, defendant KETNER, knowing that the funds involved in the transactions represented the proceeds of some form of unlawful activity, conducted and caused others to conduct the following monetary transactions in criminally derived property of a value

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greater than \$10,000, which property was derived from specified unlawful activity, namely wire fraud.

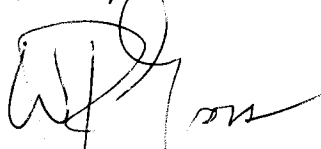
<u>COUNT</u>	<u>DATE</u>	<u>TRANSACTION</u>
SIXTEEN	5/22/2000	\$335,000 wire transfer from Johnson & Payne's Sanwa bank account to MCR's La Salle Bank Account Number 2800089095
SEVENTEEN	5/24/2000	\$700,807 wire transfer from Johnson & Payne's Sanwa bank account to MCR's La Salle Bank Account Number 2800089095
EIGHTEEN	6/02/2000	\$847,800 wire transfer from Johnson & Payne's Sanwa bank account to MCR's La Salle Bank Account Number 2800089095

A TRUE BILL


Foreperson

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